No. 375.

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JAMES H. MCKENNEY,
Clerk.

Brief of Acker, Bacon & Wilshire
No. 375
for Appellant.

IN THE SUPREME COURT OF THE UNITED STATES.

October Term, 1901.

Filed Jan. 3, 1902.

EXCELSIOR WOODEN PIPE COMPANY,
Appellant,

vs.

PACIFIC BRIDGE COMPANY
AND CHARLES P. ALLEN,
Appellees.

APPEAL FROM THE CIRCUIT COURT OF THE UNITED STATES FOR THE DISTRICT OF WASHINGTON, NORTHERN DIVISION.

Notice of Submission of Cause, and Brief of Appellant upon said Submission.

N. A. ACKER,
L. S. BACON,
WM. F. BOOTH,
W. W. WILSHIRE,
A. H. KENAGA,
Solicitors for Appellant.

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THE SUPREME COURT

OF THE

UNITED STATES.

October Term 1901.

EXCELSIOR WOODEN PIPE COMPANY,
Appellant,

vs.

PACIFIC BRIDGE COMPANY AND CHARLES P. ALLEN;
Appellees.

No. 375.

Notice of Submission of Case.

To JAMES B. HOWE,
W. H. BOGLE, and
A. R. TITLOW,
Solicitors for Appellees.

The above entitled case having been advanced under Rule 32 by order of Court of the 4th day of November, 1901, you will please take notice that on Monday, the 3rd day of February, 1902, at the opening of the Court, or as soon thereafter as counsel can be heard, appellant

above named will submit said case to the Supreme Court of the United States for its decision.

Annexed hereto is a copy of the brief or argument to be submitted with said case in support thereof.

N. A. ACKER.
L. S. BACON,
W. W. WILSHIRE,

Solicitors for Appellant.

Supreme Court of the United States,
October Term 1901.

EXCELSIOR WOODEN PIPE COMPANY,
Appellant.

vs.

PACIFIC BRIDGE COMPANY AND CHARLES P. ALLEN,
Appellees.

No. 375.

BRIEF OF APPELLANT.

On Submission of Case.

This is an appeal from a final decree, dismissing the suit for want of jurisdiction.

The suit was brought in the Circuit Court of the United States for the District of Washington, Northern Division.

History of the Case.

The record on appeal shows the following steps in the suit:

The Bill of Complaint was filed March 23rd, 1900.

Answer was filed June 9th, 1900.

Replication was filed on June 21st, 1900.

Time having expired September 21st, 1900, under Equity Rule 69, within which to take proofs, defendants filed motion to extend the time. The motion for extension was taken under advisement.

Complaint filed a motion for a decree on the pleadings and papers on file in the case.

On November 5, 1900, these motions being on the calendar, the Court, without hearing them, requested argument on the question of jurisdiction, heard such argument, and, thereupon, divested itself of jurisdiction, and the same day made a decree dismissing the bill for want of jurisdiction. (Page 38 of record.)

Thereafter on December 3, 1900, complainant perfected an appeal from said decree, to the United States Circuit Court of Appeals for the Ninth Circuit. (Record pages 38 to 41.)

Appellees, on January 28, 1901, filed in said Court of Appeals, a motion to dismiss said appeal "for lack of jurisdiction in this Court to hear and determine the question presented by the record herein for determination, for the reason that the order of the Circuit Court of the United States from which such appeal is prosecuted was and is an order dismissing said cause solely for want of jurisdiction in said circuit court to hear and determine the same, and in which order no other question was involved, nor determined by said circuit court: and this court is without authority to exercise appellate jurisdiction to review by appeal a final decision of the circuit court in which decision the jurisdiction of that court was the sole question in issue and decided."

On May 6th, 1901, the United States Circuit Court of Appeals for the Ninth Circuit, allowed said motion, and dismissed the appeal for want of jurisdiction to entertain it, upon the grounds set forth in the motion, to wit, that the sole question in the case was the jurisdiction of the court below. The opinion of the Circuit Court of Appeals, granting the motion to dismiss, will be found in the printed record page 45. It is also reported in 109, Federal Reporter 497.

The mandate of said Court of Appeals dismissing the appeal was thereafter duly issued, and on the 27th day of May, 1901, was filed and spread upon the minutes of the court below. (Record pages 42–43.)

On the same day, the 27th day of May, 1901, complainant, present appellant, perfected the present appeal to this Court, from the order and decree of the Circuit Court of the United States for the district of Washington, Northern Division, made and entered on the 5th day of November, 1900, dismissing said suit for want of jurisdiction. (Record pages 47–52.)

Statement of the Case.

This appeal is taken under Section 5 of the Act of March 3rd, 1891, defining and regulating in certain cases the jurisdiction of the Courts of the United States.

The appeal is perfected in accordance with Rules 35 and 36 of this Court.

From the Bill of Complaint, (pages 1 to 7 of the printed record) it will be seen that the suit is one for infringement of letters patent.

The bill is of the usual form, setting forth the patent, the title of complainant, namely, its exclusive license, under which it acquires its capacity to sue, the acts of infringement, and the usual prayers for damages, profits, accounting and injunctions.

The answer (pages 11 to 23 of printed record) is a joint answer of both defendants. It does not raise any issue as to the validity of the patent, nor as to the acts charged against said defendants as infringements. It admits that complainant acquired its title, to wit, its exclusive license, in the manner set forth, and sets out, in full, the license itself. But it denies that this license is a subsisting one, and alleges that it has been forfeited, has been revoked and is no longer in force. It also sets up that after the alleged revocation of said license, defendant Allen granted a license to defendant Pacific

Bridge Co. (Page 23.) In short the answer admits the patent, and the infringement, but denies the title of complainant.

The replication (page 24) is the usual general replication. Upon these pleadings, the Court held that it had no jurisdiction of the case, and dismissed the suit upon that ground.

From the foregoing, it will appear that the sole question herein involved is the jurisdiction of the Court below, over the suit.

Specification of Errors.

The errors assigned (page 50 of printed record,) are:

First, the error of the Court in holding that upon examination of the pleadings, the suit did not really and substantially involve a dispute or controversy properly within the jurisdiction of the Court, and that said Court should not further exercise jurisdiction.

Second, the error of the Court in dismissing the suit for want of jurisdiction.

Argument.

JURISDICTION OF COURT TO ENTERTAIN APPEAL.

The present appeal is timely. It may be taken at any time within two years from the making and entering of the final decree appealed from.

Holt vs. Indiana Manufacturing Co., 176 U. S. 68.

If, however, the appeal from the question of jurisdiction is taken up by way of the certificate mentioned in the first clause of Sec. 5 of the Act of 1891, said certificate

must be signed within the term at which the decree appealed from was made. Otherwise the appeal is out of time.

Maynard vs. Hecht, 151 U. S. 324.
Colvin vs. Jacksonville, 158 U. S. 456.
The Bayonne, 162 U. S. 329.
Merrit vs. Bowdoin College, 169 U. S. 551.

When, therefore, a certificate is used, or when one is needed to present the sole question of jurisdiction to this Court, the term of the lower Court affects and limits the time within which the appeal may be taken. Otherwise, the two year limit is unaffected.

It is not every case which needs a certificate, to present the sole question of jurisdiction, upon appeals of this nature.

Where the decree appealed from shows on its face, that the sole question decided is one of jurisdiction, and where the record on appeal shows that the only question presented to this Court for determination is one of jurisdiction, these are held to be the equivalent of a certificate, and no certificate is needed.

Huntington vs. Laidley, 176 U. S. 668.
Ex Lehigh Mining and Manufacturing Co., 156 U. S. 322.
Shields vs. Coleman, 157 U. S. 168.
Interior Construction & Improvement Co. vs. Gibney, 160 U. S. 217.
Van Wagenen vs. Sewall, 160 U. S. 369.
Chappell vs. U. S., 160 U. S. 499.
State of Ark. vs. Schlierholz, 179 U. S. 598.

In Huntington vs. Laidley and also in State of Arkansas vs. Schlierholz, above cited, the Court says: "In order to maintain the appellate jurisdiction of this Court, under this clause, the record must distinctly and unequivocally show that the Court below sends up for consideration a single and definite question of jurisdiction. *This may appear in either of two ways: by the terms of the decree*

appealed from, and of the order allowing the appeal, or by a separate certificate of the Court below."

In the present appeal, the first of these ways is adopted. The decree (page 38) shows by its terms the determination of the sole question of jurisdiction. The order allowing this appeal (page 48) shows on its face that the sole question sent up for consideration is one of jurisdiction. The petition for said order (page 47) shows the same; the assignments of error (page 50) embody only this single question; and the motion of appellees in the Circuit Court of Appeals (page 44) and the opinion of the said Court (page 45) present further evidence of this sole question of jurisdiction, herewith presented for consideration.

It follows that in this appeal, no separate certificate is required, and the appeal is both timely and proper, and is unaffected either by the absence of such certificate, or by term signing.

Argument.

MERITS.

The merits of this appeal involve the sole question of the jurisdiction of the Circuit Court over the suit.

The question of jurisdiction was raised by the Court itself, in the following manner.

Defendants, not having taken any proofs within the three months provided for in Equity Rule 69, applied to the Court, by motion, (page 28 of the record) for further time. In support of this motion, defendants filed the affidavit of C. F. Swigert, (page 25 of the record.) In this affidavit, Mr. Swigert, who is the official treasurer of the Pacific Bridge Co., took occasion (page 27) to express his doubts of the jurisdiction of the Court over the suit, as in his opinion, it was one arising on contract, and not one arising under the patent laws of the United States. In the resisting affidavit of D. C. Henny (page 29 of record),

affiant expresses himself as entertaining no doubt upon this subject.

When the motion for an extension of time came up before the Court, and the affidavits upon said motion were read, the Court was impressed with the situation, as it bore upon jurisdiction, and requested argument on this matter.

The motion for extension of time was taken under advisement (page 33) and the matter set over for one week with the understanding that the question of jurisdiction would then be argued. During said week the motion of complainant for a decree upon the pleadings was made, (page 34 of record) and set for the same time, (page 34 of record). Accordingly, on November 5th both motions being on the calendar, the Court, without hearing said motions, requested argument upon jurisdiction to be, at once, proceeded with. This was done, and at its conclusion, the Court, in a brief oral opinion, held that from a consideration of the Bill and Answer, the suit was not one arising under the patent laws, but was one arising solely out of contract; and, over such a suit, in the absence of diverse citizenship, the Court had no jurisdiction. The decree (page 38 of record) was made and entered the same day.

The real question, then, is:

Is this a case arising under the patent laws, or is it not?

The bill of Complaint, on its face, shows that the suit is a patent suit. It contains the ordinary allegations of a bill for infringement of a patent, to wit, the patent, the title and the infringement. It contains nothing else; it asks for no other relief than that usual in an infringement suit. It sets up no contract with defendants, *which it asks to have enforced or rescinded.* It suggests no forfeiture; it does not ask for a construction of any contract; it suggests nothing by way of contract, nor the existence of any, other than the plain statement of its title, giving complainant the capacity to sue; but it does not ask for a construction of this title, nor for its enforcement as a contract. It assumes its validity, and simply asks for the usual relief from infringement.

The Bill, thus, sets forth a case arising under the patent laws, and, as such, is within the jurisdiction of the Federal Court.

Rev. Stat. 629 sub. 9.
" " 711 " 5.

It differs from the usual Bill, however, in that it is brought in the name of the licensee alone, against infringers, the Pacific Bridge Co., and the licensor Allen, and in paragraph 22, it alleges the reason for this to be that the licensor Allen is himself an infringer, and is therefore made a defendant. This however, does not change the character of the suit as being one arising under the patent laws.

The authority of the licensee to sue his licensor as an infringer, and to join him with other defendants, is well settled.

Littlefield vs. Perry, 21 Wall. 205.
Waterman vs. Mackenzie, 138 U. S. 252.
Waterman vs. Shipman, 55 Fed. 982.

The Bill of Complaint, therefore, does not show a want of jurisdiction over the case.

In suits for infringements of patents, it is the Bill which creates or mars the jurisdictional situation.

"The subject matter of the action, *as set forth in the bill*, gave the Court jurisdiction, and exclusive jurisdiction, to try it."

White vs. Rankin, 144 U. S. 628.

In that line of cases in which this Court has refused to maintain jurisdiction, on the ground that they arise out of contract alone, and not under the patent laws, it will be found that in each instance, there was something *in the Bill itself* which showed that the object was other than, or in addition to, the usual relief in an infringement case.

In Wilson vs. Sanford, 10 Howard, 99, the licensor, in addition to treating his licensee as an infringer, claimed that the license was forfeited by breach of condition, and asked that it be declared forfeited, and for a reinvestiture of the title.

In Hartell vs. Tilghmam, 99 U. S. 547, the same course was pursued by the plaintiff.

In Albright vs. Teas, 106 U. S. 613, the suit was, on its face, one to recover amounts due under a contract.

Also in Manufacturing Co. vs. Hyatt, 125 U. S. 46, the suit was directly on a royalty contract.

In Felix vs. Scharnweber, 125 U. S. 54, the action was upon an agreement to pay royalties.

Marsh vs. Nichols, 140 U. S. 344, was an action for the specific performance of a contract to transfer a patent.

Wade vs. Lawler, 165 U. S. 624, was a suit to rescind a contract for the exchange of goods for an invention.

Pratt vs. Paris Gaslight & Coke Co., 168 U. S 255, was an action to recover the price of a patented machine sold.

Holt vs. Indiana Manufacturing Co., 176 U. S. 68, was a bill to enjoin the levying of a tax on a patent.

The lack of jurisdiction in all these cases was apparent from the bill itself. Where the bill is a plain suit for infringement of a patent and neither suggests nor asks for other or additional relief than is usual in such cases, the Court has jurisdiction.

White vs. Rankin (supra).

We contend that our bill is such as to give jurisdiction to the Federal Court. It asks for nothing more than the usual relief. It sets up nothing more than the necessary facts to obtain such relief. Complainant being a licensee, alleges no more than is required to show its title and capacity to sue. It is satisfied with that title. It does not ask for its enforcement. It does not allege that defendants deny that title, or that said defendants claim that it is forfeited, or revoked, or that its conditions have been violated, and then ask that it be declared to be a subsist-

ing license and not forfeited or revoked, and that it be enforced. Our bill includes nothing of this character.

We have a right in the letters patent, namely, that of an exclusive lecensee. That right is infringed, in the ordinary way, by the manufacture and sale of the patented article, which we, alone, have the right to manufacture and sell. This infringement is an invasion of our monopoly under the patent. It is as much an invasion of our right under the patent, as if the patent, had originally been granted to us, without intervention of assignment or license, *and from our situation a case arises under the patent laws*, as truly as if the situation involved the direct grant of the patent.

Does the answer, in the present case, change the situation, in this respect.

The answer, reduced to its lowest terms, is this:

There is such a patent, and it is valid.

Complainant had, at one time, an exclusive license under the patent.

Defendants are making and selling the patented device.

But, complainant's license was not subsisting at the time that this suit was brought, having been forfeited, and revoked, prior thereto, on account of the breach of conditions of the license.

Further, defendant, Pacific Bridge Company, has a license under the patent to manufacture and sell, from defendant Allen, which said license was granted subsequently to the alleged forfeiture and revocation of the prior license to complainant.

The situation created by such an answer is this:

Of the three essentials of a patent suit, namely, the validity of the patent, the title and the infringement, two; the validity of the patent, and the infringement are admitted, while the third, the title, is denied.

There are three essentials to the statement of a patent suit—first the patent; second, the title, and third, the infringement.

Robinson on Patents, sec. 857.

Admittedly, if the patent, that is, its validity, be called in question, there is a Federal question involved.

It is equally true that if the infringement be denied, the suit is still one arising under the patent laws. Yet this may not be so plain, for such denial may not call into question or require the construction of any act of Congress. Nevertheless, it does not change the character of the suit, even though it be the sole question in the cause, nor can it oust the Court of jurisdiction.

Osborn vs. U. S. Bank.
9 Wheaton, 738. (See page 826.)

The remaining consideration is, will the denial of title change the nature of the suit?

If such were true, it would rest with the defendant to oust the Federal Courts of jurisdiction in any case for the infringement of a patent, wherein the suit was brought by an assignee under the patent, or by a licensee; for the defendant could, by his answer, (true or otherwise) admit the validity of the patent and the infringement, and deny the title of the plaintiff, and by pointing out that title to have grown out of contract, either assignment or license, contend that the only question in the case is one of contract, and of such the Federal Court has no jurisdiction.

To such length has this suggestion been actually carried, that in White vs. Rankin, 144 U. S., 628, it was contended that the averment in the bill that the defendants have made, used and sold machines, containing the patented inventions without the *license* of the plaintiff, of itself raised a question of license or contract, sufficient to defeat Federal jurisdiction. The Court, however, said that such averment could not be regarded as raising such a question.

Also in Atherton Machine Co. vs. Atwood Morrison Co., 102 Fed. 949, the defendant demurred to the jurisdiction, on the ground that the suit was one growing out of contract, as appeared from the bill which set up certain assignments, the contention being that an assignment was a contract. The Circuit Court held this point good, sus-

tained the demurrer and dismissed the bill for want of jurisdiction. But the Court of Appeals reversed the lower court, holding that the case was one arising under the patent laws, and within the jurisdiction of the Federal Court.

A denial of title, the answer admitting both the validity of the patent and the infringement, will not divest the Court of jurisdiction.

Littlefield vs. Perry, 21 Wallace 205, and
Atherton Machine Co. vs. Atwood Morrison Co, 102 Fed. 949.
Waterman vs. Shipman, 55 Fed. 982.

In Littlefield vs. Perry, the Court says: "Such a suit may involve the construction of a contract, as well as the patent, but that will not oust the Court of its jurisdiction. If the patent is involved it carries with it the whole case."

In the Atherton case the Court on page 956 says: "An averment of title in the complainant must necessarily be made, and is the necessary foundation for all the rights asserted or litigated by the complainant. *It is an averment* without which complainant has no proper standing in Court." The Court also says the title is the "creature of the patent law and not of the common law and *whether admitted or attacked* by the opposing party, the questions are raised under the patent laws, and are, therefore, within the meaning of Revised Statutes of the United States, justiceable in the Circuit Courts."

In Waterman vs. Shipman, the Court held that the licensee had a right to join the licensor with other parties defendant, and that such a suit arose under the patent laws of the United States. In that case there was only a denial of title.

It, therefore, appears that it is not necessary, in order to involve a patent, that the answer should deny its validity or deny infringement. The title to the patent is as essential to an infringement suit as anything else, and it must be set up; and when the title is involved, the

patent is involved in the sense of the enjoyment of the monopoly under it, and this confers federal jurisdiction.

Nor is there any distinction to be drawn in this regard between title vesting by assignment, and title founded on license, on the ground that one is provided for by Federal Statute and the other not. In Littlefield vs. Perry (see pages 222 and 223) the court holds that whether complainant's were technically assignees or licensees the action was maintainable.

In the case at bar, we have merely set up our title. It must be remembered that this is not a suit by our licensor, Allen, against us, his licensee. He is not treating us as an infringer. He is not bringing a suit to annul the license he has given us. He does not allege any rescission of our license by a Court of Equity. Nor have we brought this suit against our licensor to enforce our license. It is in force; it has never been rescinded; we are satisfied with it. We plead it as our title to sue.

The conclusion must be, that the answer of defendants, does not change the jurisdictional situation.

The answer of the Pacific Bridge Co., that it has a license subsequent to complainant's license will not oust the Court of jurisdiction.

White vs. Rankin (supra).

In fact, it is difficult to see that the Answer, in regard to the forfeiture and revocation of complainant's admittedly once-existing exclusive license, is material, or that it can be considered at all, in the absence of any allegation of mutual agreement to terminate said license, or of its rescission by a competent court of equity.

Hartell vs. Tilghman, 99 U. S. 547 (556).
Standard Dental Manufacturing Co. vs. National Tooth Co., 95 Fed. 291 (294).
Hanifen vs. Lupton 95 Fed. 465.

Concluding, we beg to present another brief view.

We must have our licensor, Allen, in the case, on one side or the other.

Waterman vs. Mackenzie, 138 U. S. 252.

As he is charged with being an infringer we may make him a defendant, and we have the direct authority of Littlefield vs. Perry, 21 Wallace 205, that we may sue him as an infringer in an action for infringement, *and that the Federal Court will retain jurisdiction* of such a suit, notwithstanding that *no question of the infringing acts, nor of the validity of the patent is raised, but only a question of title.*

Now, we can join with him other defendants who are joint infringers with him? Yes.

Waterman vs. Shipman, 55 Fed. 982.

In this case the Circuit Court of Appeals, for the second circuit, held that a licensee who has the exclusive right to manufacture and sell a patented article can maintain a suit in equity against the patentee, if the latter is guilty of an infringement by making and selling himself, to redress the wrong occasioned thereby, *and that he may join other parties defendant with the* owner, who have combined with him to commit the infringement: and, finally, *that such a suit arises under the patent laws* of the United States.

We submit therefore, that our assignments of error are well taken, for that the Court was wrong in concluding that the case at bar was one arisng on contract and not under the patent laws, and that it, consequently, erred in divesting itself of jurisdiction, and in dismissing the suit.

Respectfully submitted,

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